

News Release

Defense Finance and Accounting Service

Number 0403

For External Release

Military retirees to see pay increase

ARLINGTON, Va. (Jan. 27) -- On Feb. 2, an estimated 150,000 military retirees will see an increase in their pay. The National Defense Authorization Act, enacted in November 2003, significantly modified a long-standing law preventing retirees from receiving full retired pay if they also received disability pay from the Department of Veterans Affairs.

The new law allows concurrent receipt of military retired pay and VA disability pay for retirees with more than 20 years of service and a disability rating of 50 percent or greater. This restored pay will be phased in over a 10-year period that began on Jan. 1, 2004.

Retirees are not required to take any action to receive the additional pay. The Defense Finance and Accounting Service has already identified eligible retirees and begun making adjustments to their military retired pay.

The first payments are due the first business day of February for the law change that was effective Jan. 1. For retirees who have been receiving special compensation for the severely disabled, the additional funds will be paid on Feb. 2, 2004 based on entitlement for Jan. 1-31, 2004. The restored pay is paid on the same schedule as current military retired pay. Recurring payments will be made on the first business day of each month based on entitlement for the prior month.

For the majority of military retirees, the additional money is taxable income and subject to federal tax withholding.

One category of military retirees that is eligible for additional funds but will not be paid on Feb. 2, 2004, are those who receive retired pay based on a disability percentage instead of years of service. Further guidance is needed from the Department of Defense to determine how the law will be applied in these cases. Once guidance is received, payments will be made retroactive to Jan. 1, 2004. An estimated 2,800 military retirees fall into this category.

For more details regarding who is eligible for the restored pay and how payments will be made, visit www.dfas.mil and see the topics under "Retired and Annuitant Pay," or visit the myPay Web site at <https://mypay.dfas.mil>.